



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JAMES L. SCHNEIDERMAN
JUDI E. THOMAS

November 4, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Wendy L. Watanabe
Auditor-Controller

*Wendy L. Watanabe
by Schneiderman*

SUBJECT: **JWCH INSTITUTE, INC. – A DEPARTMENT OF PUBLIC HEALTH
HIV/AIDS CARE AND PREVENTION SERVICE CONTRACT PROVIDER
– FISCAL REVIEW**

We completed a fiscal review of JWCH Institute, Inc. (JWCH or Agency). The County Department of Public Health (DPH) Office of AIDS Programs and Policy (OAPP) contracts with JWCH for the Agency to provide HIV/AIDS emergency and transitional housing, case management, health education risk reduction outreach, and counseling, testing and prevention services. Our review covered a sample of transactions from January 2010 through March 2011.

The purpose of our review was to determine whether JWCH provided the services to eligible clients, and spent Program funds in accordance with their County contract. We also evaluated the Agency's accounting records, internal controls, and compliance with the contract and other applicable guidelines.

At the time of our review, JWCH had one fee-for-service contract, and four cost-reimbursement contracts with OAPP. OAPP paid JWCH approximately \$1.1 million from January 2010 through March 2011. JWCH provides services to residents of the First and Fourth Supervisorial Districts.

Results of Review

JWCH provided services to eligible individuals, maintained the required personnel records, and properly recorded and deposited OAPP payments timely. JWCH's Cost

Reports also reconciled to the Agency's accounting records. However, the Agency did not comply with all of the County contract requirements. Specifically, JWCH:

- Has not updated their sliding-fee schedule to reflect changes in the federal poverty income levels since 2006.
- Inappropriately billed OAPP \$1,156 in payroll costs based on budget, instead of actual hours worked, for OAPP-related activities.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We were not able to discuss our report with JWCH. We sent our draft report to JWCH on August 30, 2011, and made several attempts to contact the Agency to schedule an exit conference, and request a corrective action plan. However, as of November 3, 2011, JWCH has not responded. OAPP indicated that they will work with JWCH to provide a corrective action plan, and ensure the questioned costs are repaid.

We thank JWCH for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:AA

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, M.D., M.P.H., Director, Department of Public Health
Robert E. Morris, M.D., President, Board of Directors, JWCH Institute, Inc.
Al Ballesteros, Chief Executive Officer, JWCH Institute, Inc.
Public Information Office
Audit Committee

**JWCH INSTITUTE, INC.
HIV/AIDS CARE AND PREVENTION SERVICES
JANUARY 2010 TO MARCH 2011**

ELIGIBILITY/SERVICES BILLED

Objective

Determine whether JWCH Institute, Inc. (JWCH or Agency) provided services to clients who met the Department of Public Health's (DPH) Office of AIDS Programs and Policy (OAPP) Program eligibility requirements. In addition, determine the accuracy of the units of service billed under the fee-for-service contract.

Verification

We reviewed the case files for 14 participants, who received services during January 2010 and March 2011, for documentation to confirm their eligibility for OAPP services. We also compared 186 service units billed for seven clients to JWCH's supporting documentation.

Results

JWCH had adequate documentation to support the participants' eligibility, and the service units billed. However, the Agency did not have an updated sliding-fee schedule approved by OAPP as required. The sliding-fee schedule, used by the Agency to determine what clients should pay for services, has not been updated to reflect changes in the federal poverty income levels since 2006.

Recommendation

1. **JWCH management update the sliding-fee schedule annually, and submit it for approval by OAPP.**

CASH/REVENUE

Objective

Determine whether JWCH had adequate controls to ensure cash receipts and revenue were recorded in the Agency's financial records properly, and were deposited into the Agency's bank account timely.

Verification

We interviewed JWCH's personnel, and reviewed the Agency's financial records and March 2011 bank reconciliation.

Results

JWCH had adequate controls to ensure that revenue and cash were recorded properly, and deposited timely.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether JWCH's Cost Allocation Plan was prepared in compliance with their County contract, and was used to allocate shared costs appropriately.

Verification

We reviewed JWCH's Cost Allocation Plan, and a sample of shared costs JWCH incurred from February 2010 through January 2011.

Results

JWCH's Cost Allocation Plan was prepared in compliance with the County contract, and the shared costs were allocated to the OAPP Program appropriately.

Recommendation

None.

EXPENDITURES**Objective**

Determine whether expenditures charged to the OAPP Program were allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, and reviewed financial records for 22 non-payroll expenditures, totaling \$41,953, that the Agency charged to the OAPP Program from February 2010 through January 2011.

Results

JWCH 's expenditures were allowable, properly documented, and accurately billed.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether JWCH charged payroll expenditures to the OAPP Program appropriately, and maintained personnel files as required.

Verification

We traced the payroll expenditures for five employees, totaling \$17,929, from June 2010 to the Agency's payroll records and time reports. We also reviewed the personnel files for OAPP Program staff.

Results

JWCH inappropriately charged \$1,156 (6%) of the \$17,929 in payroll expenditures reviewed. Specifically, JWCH used budgeted percentages, instead of actual hours worked, on OAPP-related activities.

Recommendations

JWCH management:

2. Repay DPH \$1,156.
3. Bill payroll expenditures based on actual hours worked on OAPP-related activities.

COST REPORTS**Objective**

Determine whether the Agency's Cost Reports reconciled to the accounting records.

Verification

We traced the Agency's Cost Reports to their accounting records for February 2010, June 2010, December 2010, and March 2011.

Results

JWCH's Cost Reports reconciled to their accounting records.

Recommendation

None.